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SUBJECT: VIETNAM ON OIL-FOR-FOOD PROGRAM

REF: STATE 82506

1. (U) This is an action request -- see para 10.

2. (U) SUMMARY: Vietnam is interested in continuing its exports of rice until the Oil for Food (OFF) Program, especially in quickly fulfilling outstanding rice contracts, but has concerns about insurance costs and port access. The MFA stressed that Vietnam's participation would not/not be affected by the expressed opposition of Iraq to UNSCR 1472. End Summary.

3. (U) VINAFOOD 1: Agatt and AgSpec on April 1 discussed the OFF Program with Luong The Phiet, Deputy General Director of Vietnam Northern Food Corporation (Vinafood 1 - the GVN's parastatal agricultural exporting agency) and Dinh Cong Chinh of its Foreign Economic Department. They welcomed the clear USG statements supporting the OFF program, and said they were eagerly awaiting shipping information from the UN's OFF Office.

4. (U) OUTSTANDING: Phiet confirmed that Vinafood had been a major supplier of rice to Iraq over the last 10 years, exporting more than 840,000 metric tons of rice to Iraq in 2002 alone. He added Vinafood was eager to fulfill the outstanding (not yet shipped) rice contracts, amounting to another 450,000 metric tons. Vinafood is ready to ship that rice after resolving issues of insurance and port facilities.

5. (U) INSURANCE: Phiet expressed concern over whether insurance could be purchased to cover both the commodity (rice) and the vessels going to Iraq. He welcomed the information that the U.S. Maritime Administration has war risk insurance, but asked if that insurance would cover the value of the commodity as well as the vessel. Furthermore, he asked how high the premiums might be.

6. (U) PORT FACILITIES: Vietnam has routinely shipped rice to the Iraqi port of Umm Qasr and has been in touch with port contacts, who had expressed worries about submerged mines damaging or destroying any large vessels trying to berth. He was aware that one or two small vessels had docked, but noted that larger vessels might still confront a dangerous situation.

7. (U) OTHER ISSUES: Phiet also noted there was a host of smaller concerns that would probably have to be addressed by the UN's Office of the Iraq Program. Among those concerns: -- adjustments to the outstanding contracts and letters of credit necessitated by delays in shipping (note: some of which stem from Vietnam's inability to ship in late 2002 due to lack of stocks, and others due to insurance and port access issues); -- concerns regarding which company would be the new UN Independent Inspection Agent (replacing, if necessary, Cotecna); -- who would be the buyer. In the past, the Grain Board of Iraq had been the buyer of record.

8. (U) FUTURE: Phiet emphasized that, in addition to fulfilling outstanding contracts, Vietnam would welcome new oil-for-food business as well. He noted that the rice supplies were now available (the Winter-Spring rice harvest is underway). If vessels were willing, Vietnam could export rice to Iraqi ports in three weeks.

9. (U) MFA: In a separate meeting on April 3, Pol/C conveyed reftel points to MFA West Asia and Africa Department Deputy Director General Doan Ngoc Boi. Boi expressed appreciation for the US support for OFF, but wondered whether this interest in humanitarian programs for Iraq was not rather new. Pol/C reviewed briefly US support for solutions to Iraq's humanitarian problems over the past decade and commitment to ensuring better lives for the Iraqi people. Boi noted that the Iraqi Government had expressed its opposition to UNSCR 1472; when questioned, he assured Pol/C that the GVN would not/not side with the GOI on this and would welcome the opportunity both to complete past OFF contracts and to compete for new ones under the new UN

arrangements. He noted over USD400 million in OFF contracts with Vietnam in the works for 2003.

10. (U) ACTION REQUESTED: Please clarify issues regarding insurance and port access, and provide any other additional information of relevance.

BURGHARDT